



CLIMATE WATCH

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CLINTON PLAN: OPPORTUNITIES AND CHALLENGES FOR INDUSTRY

By John Shlaes

President Clinton's plan for reducing U.S. greenhouse gas emissions to 1990 levels by the year 2000 details almost 50 industry-related initiatives involving major efforts by 17 federal agencies, four White House departments, a White House coordinating group, two new White House working groups and several state outreach programs. There are 22 presidential initiatives to restructure government or give additional authority to agencies that will implement the plan. And it calls for \$1.9 billion in federal spending and more than \$60 billion in private sector investments.

The administration's program could have a significant impact on all sectors of industry, especially those that form the backbone of the U.S. economy, which include energy production, manufacturing, transportation and housing. The

wide-ranging measures and objectives of the plan commit the United States to efforts that the administration acknowledges go beyond the Rio de Janeiro climate treaty's requirements, and which are far more ambitious than those of our major trading partners, including Japan and the countries of Western Europe. These facts raise serious concerns.

President Clinton presented his plan as voluntary, and many groups, including GCC, support that approach. But that is not to say that business and industry support objectives that go beyond the Rio accord, such as targets and timetables, for there has yet to develop any scientific consensus that supports catastrophic views of the future and the need for rapid, drastic actions.

Also troubling is the insistence that the United States must do more than other countries to abate greenhouse gas emissions. The industries affected by this plan are the same ones facing the stiffest competition in the global marketplace.

U.S. manufacturing's impressive record of energy efficiency, which has produced significant benefits of the nature advocated in the government's plan, should not be discounted. Voluntary actions by busi-

ness and industry that make economic sense in their own right and produce an environmental benefit constitute a "no regrets" strategy that accurately reflects the current state of science on the issue while protecting the economy from the consequences of unjustified actions.

The administration's plan also seeks to promote greater business-government cooperation in dealing with greenhouse gas emissions. While partnerships and voluntary efforts sometimes make sense, the processes involved and the structure of the relationships must be appropriate. If what develops is a true "shirt-sleeves" collaboration between business and government to find ways to improve efficiency while improving the environment, then the outcomes should be beneficial at home and abroad. If the program becomes a bureaucratic tangle of impractical and arbitrary benchmarks, an unequal partnership, or a precursor to mandatory programs, its potential will be lost.

One sensible approach to controlling future increases in global greenhouse gas emissions—75 percent of which are projected to originate in developing countries by the year 2005, according to the OECD—is the "joint implementation" concept, which would credit U.S. industry for providing technological "know-how" and systems that reduce such emissions in developing countries. The concept has considerable potential, if it is properly developed, reflects a reasonable degree of flexibility and is not fettered with myriad regulatory controls.

American business and industry will be closely examining the administration's Climate Change Action Plan, taking a measure of its costs and the feasibility of implementing its features. Ultimately, the best program for the environment is one that promotes a strong and vibrant economy and makes possible continued investment in technologies that are cleaner and more energy efficient. ●

CLIMATE EXPERTS EXAMINE MODELS, NIGHTTIME WARMING

The National Oceanic and Atmospheric Administration (NOAA) recently sponsored a conference for atmospheric scientists focusing on the failure of computer models to make accurate climate change predictions. In addition, the gathering of 37 climate specialists from 10 countries discussed findings that much of the observed warming during the past 40 years has occurred at night rather than

during the day. The meeting, co-sponsored by the Department of Energy, was the first international interdisciplinary effort to address observations, causes and impacts of the nighttime warming phenomenon.

One finding, that the warming during the last 40 years has not been truly global, is in contrast to model predictions (no significant nighttime warming has occurred in the polar regions as predict-

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THE CLIMATE CHANGE ACTION PLAN: A SUMMARY

The Climate Change Action Plan was developed through an interagency process that involved the White House, the Environmental Protection Agency and the Departments of Agriculture, Commerce, Energy, Interior, State, Transportation and Treasury. Public input was obtained through a White House Conference on Climate Change in Washington, DC, on June 10 and 11, 1993, as well as through a series of workshops that involved experts from the private sector, the environmental community and academia.

With the goal of fulfilling the president's Earth Day pledge to return U.S. greenhouse gas emissions to their 1990 levels by 2000, the plan calls for comprehensive measures, cost-effective domestic actions, coordinated federal activity, and partnership between government and industry. It includes nearly 50 initiatives to reduce all significant greenhouse gases—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons and other gases. These measures involve all sectors of the economy that emit greenhouse gases, with emphasis on energy production, transportation, homes, office buildings, forestry and agriculture. Among these initiatives is protection of forests as greenhouse gas "sinks" that store carbon removed from the atmosphere.

Much of the plan is voluntary, not only to minimize delays in implementation by

legislative or regulatory processes, but also to give the private sector maximum flexibility in devising innovative and cost-effective emissions reduction programs.

The plan calls for expanding partnerships between government and the private sector and seeks to stimulate investment in future technologies to strengthen America's position in the global environmental technology marketplace. The plan leverages \$60 billion in private investment between 1994 and 2000, which is intended to lead to \$60 billion in reduced energy costs during that period, with continued benefits of more than \$200 billion in energy savings between 2001 and 2010.

To ensure cost-effectiveness and rapid implementation, the plan will expand cooperative programs that already have demonstrated success on limited budgets, largely by redirecting resources from other programs. Between 1994 and 2000, the administration will commit \$1.9 billion in new and redirected funding to such programs.

In addition, the plan contains two new deficit-reduction policies. One would allow commuters to "cash-out" employer-paid parking by taking the value of the fringe benefit as taxable income, and the other would permit private development at existing federal hydroelectric facilities in exchange for lease payments. These measures would raise \$2.7 billion in federal revenue between 1994 and 2000.

A White House task force will monitor implementation of the plan and will insti-

tute new programs as needed to ensure that emissions reductions are made. Anticipating ratification of the U.N. Framework Convention on Climate Change in early 1994, the administration predicts that the first opportunity to evaluate and review the plan will come within a year. Once the convention enters into force, nations will have six months to submit a National Action Plan (NAP) to the Conference of Parties of the Convention. The administration expects the new action plan, or an updated version, to form the cornerstone of the NAP.

The plan also seeks to extend beyond its focus on short-term, domestic solutions. It establishes a White House team to develop strategies for long-term emissions reductions, including emissions from automobiles and trucks. It also includes a joint implementation pilot program (see box) to help the United States gain experience in evaluating investments in other countries for emissions reduction benefits. Such experience can be used in future international efforts to develop criteria for joint implementation.

Nighttime Warming

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ed by the models). Also, while climate models have projected a decreased day-night temperature difference and a rise in nighttime temperatures, the magnitude of the modeled change is substantially smaller than the observed changes.

The scientists believe that only part of the observed temperature change can be attributed to urban growth and that decreasing day-night temperature differences may be related to the combined effects of cloud cover over continents, an increase in greenhouse gases and increased industrial sulfur emissions.

Whatever the causes of the temperature change, the scientists are uncertain as to its effects. According to Larry Kalkstein, professor of climatology at the University of Delaware, "The potential benefits of nighttime warming, such as a longer growing season and fewer killing frosts, may be offset by the liabilities of increased pest infestations, reduced crop-growing area and higher heat-related human mortality."

PRESIDENT'S ANNOUNCEMENT ASSERTS GLOBAL WARMING THREAT

The announcement of President Clinton's Climate Change Action Plan on October 19 drew mixed reviews, with particular concern about the accuracy of assumptions made about the inevitability of global warming. Following are excerpts from the president's speech:

"Anyone...could look down the road and recognize that even with imperfect scientific knowledge, at some point the impulse to give people something to do would have to be reconciled with the obligation to preserve the planet we all share, and that if there were ways through the use of technology and partnerships and ingenuity to actually enhance economic opportunities while preserving the planet, how much better off we would be.

"That is what we sought to do in this administration...to meet head-on the serious threat of global warming...to give the American people the ability to compete and win in the global economy, while meeting our most deep and profound environmental challenges.

"[The plan] is a very aggressive and very specific first step. I would argue the most aggressive and the most specific first step that any nation on this planet has taken in the face of perhaps the biggest environmental threat to this planet.

"We simply must halt global warming. It is a threat to our health, to our ecology and to our economy. I know that the precise magnitude and patterns of climate change cannot be fully predicted, but global warming clearly is a growing long-term threat with profound consequences.

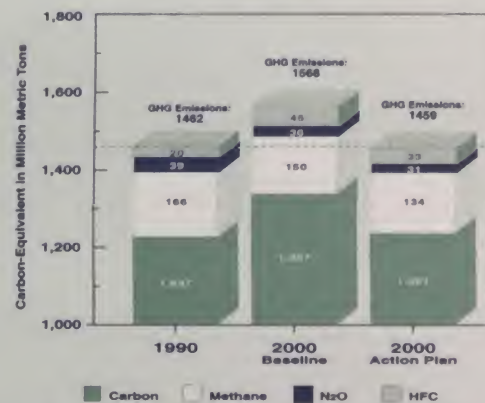
"The problem, frankly, affects every sector of the economy. There are measures to improve energy efficiencies in commercial buildings and to make better household appliances. There are new agreements with public utilities...and new public-private ventures to increase the efficiency of industrial motors.

"The action plan re-establishes the United States as a world leader in protecting the global climate. I urge other industrial countries to move rapidly to produce plans as detailed, as realistic and as achievable as ours."

HOW WERE CHART NUMBERS CALCULATED? CONGRESS AND PUBLIC STILL WAITING TO HEAR

In testimony on the Climate Change Action Plan before several congressional committees during the week of October 25, administration witnesses were asked about the assumptions, data and formulas the White House used in calculating projected greenhouse gas emissions in the year 2000. However, this information was not available. Dr. Susan Tierney, DOE assistant secretary for policy, planning and program evaluation, told one committee chairman that an interim report outlining the White House analysis would be supplied "within two weeks" and a full report in two months.

Greenhouse Gas Emissions



Note: Carbon reported as sources less sinks. Forest sinks are 130 MMT in 1990 and 147 MMT in 2000.

Chart Source: Climate Change Action Plan, 10/19/93

THE U.S. INITIATIVE ON JOINT IMPLEMENTATION

To achieve cost-effective reductions in global greenhouse gases, the Climate Change Action Plan includes a directive to the Department of State, in consultation with other agencies, to develop the U.S. Initiative on Joint Implementation (USIJI) as a pilot program. Joint implementation is recognized under the U.N. Framework Convention on Climate Change as efforts undertaken cooperatively between countries or entities within them to reduce net greenhouse gas emissions. Among the goals outlined for the USIJI are:

- To provide a mechanism for investments by U.S. firms and potential government assistance to be evaluated for net greenhouse gas emissions reductions;
- To establish an interagency evaluation panel to certify net emissions reductions from qualified projects; and
- To measure, track and score net emissions resulting from USIJI projects, and to provide an accounting of these reductions for the U.S. National Action Plan.

The USIJI will be evaluated after two years, or possibly sooner if the Conference of Parties adopts criteria for joint implementation.

NEW PARTNERSHIPS ANNOUNCED UNDER THE PLAN

Among the government-industry partnerships the administration announced as part of its Climate Change Action Plan are:

● **Climate Challenge:** In partnership with the Department of Energy, major electric utilities that have pledged to reduce their greenhouse gas emissions have the opportunity to choose from a wide range of control options and to experiment with innovative ideas to achieve their reduction goals;

● **Climate-Wise:** Firms can set bottom-line emission reduction targets using the most cost-effective means available; and

● **DOE Motor Challenge:** Under non-legally binding "compacts," DOE motor system manufacturers, industrial motor users and utilities promote and improve the efficiency of electric motor systems in industrial applications. In addition, there is a working partnership between chemical companies and the EPA to reduce byproduct emissions of greenhouse gases from their manufacturing operations by about 50 percent as well as a partnership between the EPA and the aluminum industry to identify opportunities and set targets for emissions reductions.

THIRTY-SIX COUNTRIES RATIFY CONVENTION

Since August, five more countries have ratified the U.N. Framework Convention on Climate Change, bringing the total to 36 (listed below). Fifty nations must ratify the treaty for it to take effect. Countries are listed in the order in which they ratified the Framework Convention.

- | | |
|-------------------------|--------------------------|
| 1) Mauritius | 19) Guinea |
| 2) Seychelles | 20) Armenia |
| 3) Marshall Islands | 21) Japan |
| 4) U.S.A. | 22) Zambia |
| 5) Zimbabwe | 23) Peru |
| 6) Maldives | 24) Algeria |
| 7) Monaco | 25) St. Lucia |
| 8) Canada | 26) Iceland |
| 9) Australia | 27) Uzbekistan |
| 10) China | (accession) |
| 11) St. Kitts and Nevis | 28) Dominica (accession) |
| 12) Antigua and Barbuda | 29) Sweden |
| 13) Ecuador | 30) Norway |
| 14) Fiji | 31) Tunisia |
| 15) Mexico | 32) Burkina Faso |
| 16) Papua New Guinea | 33) Uganda |
| 17) Vanuatu | 34) New Zealand |
| 18) Cook Islands | 35) Mongolia |
| | 36) Czech Republic |

INDUSTRY ROUNDUP

The following are excerpts from industry groups' responses to the Climate Change Action Plan.

Edison Electric Institute President

Thomas R. Kuhn: "EEl is committed to working with the administration to develop voluntary, cost-effective limitations on greenhouse gas emissions...."

The electric utility industry will continue to seek to diversify fuel options for the generation of electric power.... Continuing electrification of the economy and increased use of electrotechnologies will by themselves lead to increased economic growth and a decrease, per unit of GDP, in greenhouse gas emissions."

National Coal Association President Richard L. Lawson on NCA's participation in the Motor Challenge Program:

"Not only does the government gain from industry input, but...individual companies stand to gain by potential improvements in the efficiencies of their motors with resulting economic gains."

Chemical Manufacturers Association

President Fred Webber: "For an industry that depends on energy both as a raw material input as well as for production, it makes good business sense to use energy as efficiently as possible...."

[In its emphasis on voluntary, cost-effective actions,] the president's plan matches our own commitment to

become a more efficient, more productive and more competitive industry."

American Petroleum Institute: President Charles J. DiBona "The American Petroleum Institute concurs in [President Clinton's] decision to rely on voluntary programs in which industry and the federal government would cooperate in cost-effective efforts to use energy more efficiently."

The petroleum industry is committed to conserving natural resources and using energy efficiently and thus is contributing to a reduction in greenhouse gases.

We believe that the federal government's comprehensive program of research on the global warming phenomenon is essential to providing the scientific basis for any actions taken. There is no compelling reason to embark on a mandatory program now."

Climate Watch is published monthly by Global Climate Coalition, an organization of business trade associations and private companies established to coordinate business participation in the scientific and policy debate on global climate change.

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